

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 9, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB87 by Martinez, "Mando" (Relating to increasing the amount of the residence homestead exemption from ad valorem taxation by a school district to \$45,000, providing for a reduction of the limitation on the total amount of ad valorem taxes that may be imposed by a school district on the homesteads of the elderly or disabled to reflect the increased exemption amount, and protecting school districts against the resulting loss in local revenue.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB87, As Introduced: a negative impact of (\$1,410,190,000) through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	(\$1,410,190,000)
2012	(\$1,606,578,000)
2013	(\$1,670,679,000)
2014	(\$1,738,105,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>Foundation School Fund</i> 193	Probable Revenue Gain/(Loss) from <i>School Districts - Net Impact</i>
2010	\$0	\$0
2011	(\$1,410,190,000)	(\$469,178,000)
2012	(\$1,606,578,000)	(\$351,584,000)
2013	(\$1,670,679,000)	(\$379,653,000)
2014	(\$1,738,105,000)	(\$408,818,000)

Fiscal Analysis

The bill would amend Chapter 11 of the Tax Code to increase the mandatory homestead exemption for school districts from \$15,000 to \$45,000.

The bill would also require adjustments to the limitation of school tax on homesteads of the elderly or disabled and elements of the property value study to reflect the increased exemption amount.

The bill would take effect January 1, 2010, and would apply only to the appraisal of property for a tax year beginning on or after that date, contingent upon passage of a constitutional amendment authorizing the exemption.

Methodology

The bill would increase the school district homestead exemption from \$15,000 to \$45,000 (an additional \$30,000), and would require that tax ceilings for 65-and-over and disabled taxpayers to be reduced to reflect the additional \$30,000 exemption contingent on passage of a constitutional amendment.

Some low-value residences are appraised at less than \$30,000, so the entire amount of the new homestead exemption would not be absorbed. The gross amount of the additional homestead exemption was multiplied by an absorption factor to estimate the net value loss to the additional \$30,000 exemption, including the loss to tax ceiling reductions. The value loss was trended through the projection period, and trended school district tax rates were applied to estimate the cost of the exemption.

Because of the operation of the hold harmless provisions of HB 1, 79th Legislature, Third Called Session (2006), the portion of the cost related to school district compressed rates is transferred to the state. A portion of the school district debt and enrichment costs are also transferred to the state after a one-year lag because of the operation of the funding formulas. All costs were estimated over the five year projection period. There would be no losses to taxing units other than the state and school districts.

The bill is estimated to have an impact on the state aid districts receive based on the enrichment tier as tied to the yield of the Austin Independent School District (ISD). To the extent that the bill has the effect of lessening Austin ISD's revenue per weighted student per penny of tax effort, as determined by the Commissioner of Education, the growth of the equalized yield on those enrichment pennies would slow, resulting in slower growth in state aid.

Local Government Impact

The fiscal implication to school districts is reflected in the table above and is contingent upon passage of a constitutional amendment authorizing the exemption. The fiscal implication is also included in the fiscal note relating to the corresponding resolution. There would be no fiscal implication to taxing units other than the state and school districts.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

LBB Staff: JOB, SJS, MN, SD, JGM